

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

U. S. DEPT. OF AGRICULTURE
ECONOMIC RESEARCH SERVICE

DEC 7 1970

DEMAND AND PRICE Situation



THE DEMAND AND PRICE SITUATION

CONTENTS

	<i>Page</i>
Summary	3
Agricultural Situation	7
General Economic Situation	15
List of tables	20



Approved by
the Outlook and Situation Board
and Summary released
November 13, 1970

Principal contributors:

J. Dawson Ahalt

Meyer J. Harron

John A. Dempsey, Jr.

Economic and Statistical Analysis Division
Economic Research Service

U.S. Department of Agriculture
Washington, D.C. 20250



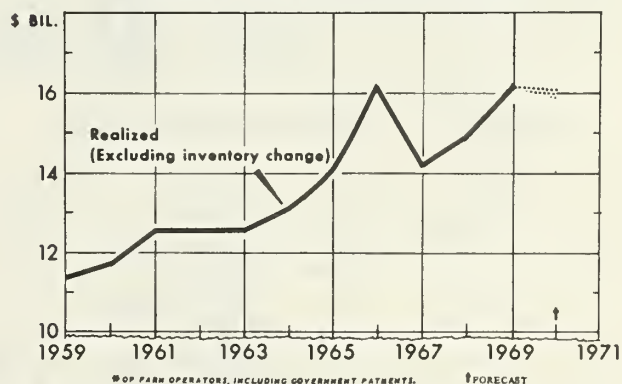
The *Demand and Price Situation* is published in February, May, August, and November.

SUMMARY

Supply, price, and income prospects for agriculture in the next 6 to 9 months depart significantly from patterns of the past few years. Production of livestock and products, already on an upswing, will continue large and contribute to some further price easing. But producer prices for crops have strengthened from the first half and have held up well during the fall harvest. The decline in prices for livestock and products brings the overall level of farm commodity prices slightly below a year earlier. Supply prospects suggest that average farm product prices may continue close to current levels through the first half of next year, probably averaging lower for livestock products and higher for crops than in the first half of 1970.

Sharp increases in farm income earlier this year will about offset recent declines and result in a 1970 realized net farm income close to last year's \$16.2 billion. In early 1971, farm income is likely to continue under pressure. Cash receipts may be well maintained with larger receipts from crops offsetting declines in the value of livestock marketings. But production expenses will continue to rise, causing a moderate reduction in realized net farm income compared with the first half of 1970. This expected easing reflects largely the squeeze resulting from smaller receipts from livestock and sharply rising feed costs.

REALIZED NET FARM INCOME*



U.S. DEPARTMENT OF AGRICULTURE

REG. 881 5236 - 78 (11) ECONOMIC RESEARCH SERVICE

Consumer outlays for food in 1970 will climb to around \$114 billion compared with \$105.3 billion in 1969. Most of the increase, the largest since 1966, reflects sharply higher food prices early in 1970. People will likely spend only a little more for food in the next 6 to 9 months because supplies are large and the rise in price is moderating.

Table 1.--Selected measures of economic activity

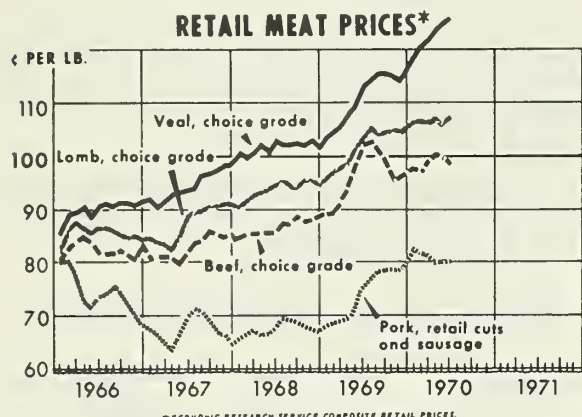
Item	Unit	1969					1970				
		I	II	III	IV	Year 1969	I	II	III	IV	Year 1970
Gross national product	Bil. dol.	907.6	923.7	942.6	951.7	931.4	907.6	923.7	942.6	951.7	971.1
Disposable personal income	Bil. dol.	612.0	623.0	640.6	650.6	631.6	612.0	623.0	640.6	650.6	683.6
Personal consumption expenditures	Bil. dol.	561.8	573.3	582.1	592.6	577.5	561.8	573.3	582.1	592.6	614.4
Food spending (excluding alcoholic beverages)	Bil. dol.	103.0	104.4	105.8	108.2	105.3	103.0	104.4	105.8	108.2	111.8
Implicit price deflator for GNP	1958=100	125.7	127.2	129.0	130.5	128.1	125.7	127.2	129.0	130.5	134.0
Unemployment rate ^{2/}	Percent	3.4	3.5	3.6	3.6	3.5	3.4	3.5	3.6	3.6	4.8
Cash receipts from farm marketings	Bil. dol.	46.5	47.4	47.4	47.6	47.2	46.5	47.4	47.4	47.6	49.0
Farm production expenses	Bil. dol.	37.5	38.6	38.6	39.0	38.4	37.5	38.6	38.6	39.0	40.1
Realized net farm income	Bil. dol.	16.2	16.0	16.2	16.2	16.2	16.2	16.0	16.2	16.2	16.1
Agricultural exports ^{3/}	Bil. dol.	.9	1.7	1.4	1.9	5.9	.9	1.7	1.4	1.9	1.6
Agricultural imports ^{3/}	Bil. dol.	1.0	1.4	1.2	1.4	5.0	1.0	1.4	1.2	1.4	1.4
Prices received by farmers ^{4/}	1957-59=100	110	114	115	116	114	110	114	115	116	116
Livestock	do.	118	124	128	130	125	118	124	128	130	127
Crops	do.	99	101	97	97	99	99	101	97	97	102
Prices paid by farmers ^{4/} ^{5/}	do.	125	128	128	128	127	125	128	128	128	131
Wholesale price index, all commodities ^{4/}	do.	111.2	112.6	113.4	114.6	113.0	111.2	112.6	113.4	114.6	116.8
Consumer price index, all items ^{4/}	do.	124.8	126.9	128.7	130.5	127.7	124.8	126.9	128.7	130.5	134.6
All food	do.	122.1	124.1	127.2	128.4	125.5	122.1	124.1	127.2	128.4	132.4

1/ Preliminary. 2/ Unemployment as a percent of the civilian labor force. 3/ Actual values, not seasonally adjusted annual rates. 4/ Not seasonally adjusted. 5/ Including interest, taxes, and wage rates.

Departments of Agriculture, Commerce, and Labor.

Food prices in grocery stores for all of 1970 are now expected to average 5% above those in 1969. Most of this advance reflects the increase in the margin between retail and farm food product prices. The spread between farm and retail prices during the third quarter averaged 7% above that of a year earlier.

If these margins remain wide, consumers can look for no more than a seasonal decline in food prices at retail during the rest of 1970. However, with food supplies becoming more abundant, and consumers' aftertax incomes making smaller gains, the rise in farm-retail spreads will probably be slowing some this winter and next spring. And retail food prices at stores in the first half of 1971 are expected to average only slightly higher than those of a year earlier.



U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2210-70 (8) ECONOMIC RESEARCH SERVICE

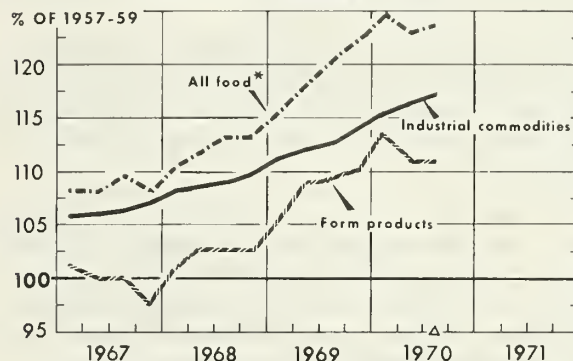
U.S. farm exports have risen sharply so far in 1970/71. Further increases will be tied heavily to foreign supply-demand conditions and the ability of the United States to maintain its favorable competitive position, particularly in the soybean and grain markets. Currently the outlook points to a larger volume of exports for wheat, cotton, and possibly soybeans, while feed grains, tobacco, and rice may tail off some.

The auto strike, reduced defense expenditures, and sluggish investments have stunted overall economic growth. Output, reflecting low capacity operating rates and rising unemployment, has failed to match year-earlier levels. Accordingly, increases in personal income and spending have moderated.

With an auto settlement later this year, business activity likely will improve, and lead to some gain in real growth in 1971. The recent decline in interest rates, the larger Federal deficit, and a more liberal monetary policy should stimulate homebuilding activity and perhaps consumer buying. Unemployment will probably remain fairly high during much of 1971. Upward price pressures are expected to ease at both retail and wholesale levels.

Housing will likely assume a major role in the expected 1971 recovery as credit becomes less expensive and more readily available. State and local expenditures, exports, and inventory investment are also expected to share in the advance. Rising wage rates, some further reduction in personal income taxes, and additional transfer payments will likely lead to moderate increases in spending for food and other consumer goods.

SELECTED WHOLESALE PRICES



* ALL FOOD INCLUDES ALL PROCESSED FOODS PLUS EGGS AND FRESH AND DRIED FRUITS AND VEGETABLES FROM THE FARM PRODUCTS GROUP. BASED ON DATA OF THE BUREAU OF LABOR STATISTICS. ▲ PRELIMINARY.

U.S. DEPARTMENT OF AGRICULTURE

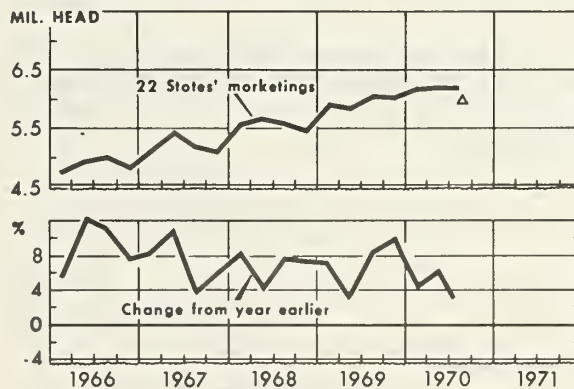
NEG. ERS 5704-70 (11) ECONOMIC RESEARCH SERVICE

... Outlook for major farm commodities ...

... *Hog* slaughter currently is running more than a tenth larger than last year, and prices are down sharply. Slaughter will probably continue very large through the first half of 1971 and prices will remain relatively low.

... *Fed cattle* marketings are expected to be up from a year earlier this fall and winter. Prices are currently about unchanged from last fall, but down from this summer. Winter prices may strengthen some from current levels.

FED CATTLE MARKETINGS, BY QUARTERS



U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 5480-70 (10) ECONOMIC RESEARCH SERVICE

... *Broiler* output will turn down this fall and continue reduced in early 1971. Prices are likely to

continue under pressure from large supplies and keen competition from pork.

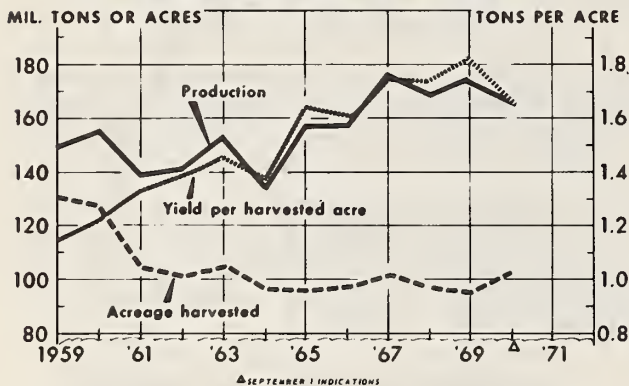
...The bigger 1970 *turkey* crop is leading to moderately larger turkey meat supplies this fall. Grower prices are expected to average below last year in the fourth quarter.

... More *eggs* are on the way this fall and through the first half of 1971. Prices will likely average below high levels of late 1969 and early 1970.

... *Milk* output is turning up slightly this year and may show a small rise in 1971. Producer prices are a little higher this year, but they may not change much in first half of 1971 if current program levels are maintained.

... This year's *feed grain* crop has been reduced sharply by the Southern corn leaf blight and hot dry weather. Domestic and foreign demand is expected to continue strong this season. Higher prices may reduce total use a little from last season's record, but disappearance will exceed 1970 production.

FEED GRAIN ACREAGE AND PRODUCTION



U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 4652-76-5 ECONOMIC RESEARCH SERVICE

... *Wheat* supplies are slightly smaller in 1970/71 because of the reduced crop. Total disappearance is running stronger and carryover next July likely will show a decline.

... *Soybean* supplies are a little smaller this season because of the reduced carryin. Domestic and export demand is currently very strong and prices are above last year. The carryover next September will likely be very small.

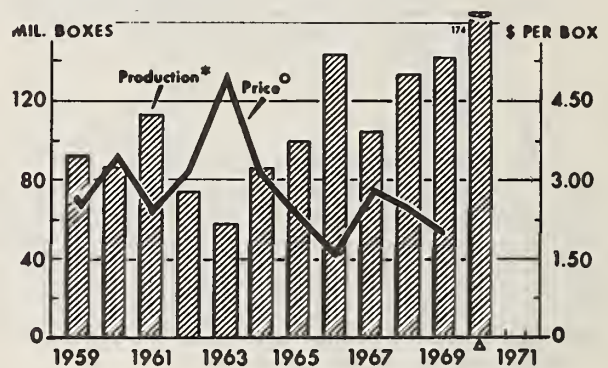
... The *cotton* carryover next summer also may decline slightly. The larger 1970 crop will nearly offset moderately lower beginning stocks, resulting in little change in this season's total supply. But a pickup in exports may lift total use above last season.

... Despite a larger *tobacco* crop, a smaller carryover is reducing U.S. supplies in 1970/71. Total domestic and export use may be about maintained, resulting in a little cutback in carryover at the end of 1970/71.

... *Fresh vegetable* supplies this fall are up slightly and prices are currently off from those of last year. *Canned and frozen vegetable* supplies, while ample for 1970/71, are down moderately; prices are expected to remain above last season's low levels.

... Big increases in *citrus* production are in prospect and prices are under pressure. Both the orange and grapefruit crops are up sharply.

FLORIDA ORANGE PRODUCTION AND PRICES



SEASON BEGINNING YEAR INDICATED

* HAVING VALUE INCLUDING TEMPLES.

O EQUIVALENT PACKHOUSE OOR RETURNS.

▲ PRELIMINARY.

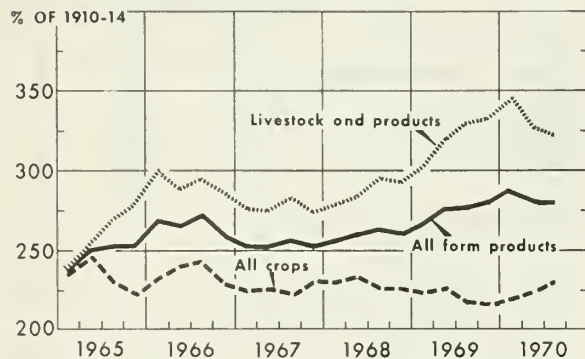
U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 5772-70-1181 ECONOMIC RESEARCH SERVICE

AGRICULTURAL SITUATION

Prices for farm products have moved lower since the first quarter of 1970 primarily in response to expanding supplies of livestock products. Average prices leveled off during July-September because of the runup in grain and soybean prices. However, producer prices declined again in October due to lower prices for hogs, poultry, eggs, and fruits and vegetables. Supply prospects suggest that producer prices may continue close to current levels this fall and through the first half of next year. Crop prices are expected to run higher, but livestock product prices will likely average below those in January-June 1970.

PRICES RECEIVED BY FARMERS



U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 6999-70(11) ECONOMIC RESEARCH SERVICE

Demand for Farm Products

Domestic demand for farm products has continued strong in 1970, although signs point to a more moderate expansion the next 6 to 9 months. During the first half of 1970, consumers' after-tax incomes chalked up near-record increases. But by the third quarter, the slower pace in economic activity held the overall gain in disposable personal income to around a 5½% seasonal adjusted annual rate. Because of the smaller increase in income and consumer caution, outlays for nondurables—including food, beverages, tobacco, and clothing—registered their smallest quarterly gain of the year.

Food spending in the third quarter rose \$700 million to an annual rate of \$114.6 billion. This was the smallest quarterly increase in 3 years and reflected larger food supplies and moderating prices as well as some easing in demand expansion. Even so, because of very steep gains earlier in the year, food expenditures for all of 1970 will average around \$114 billion, compared with \$105.3 billion in 1969. Most of the gain, which will be the largest annual increase since 1966, reflects sharp advances in food prices in late 1969 and early in 1970. People will likely spend only a little more for food in the next 6 to 9 months because the rise in prices is moderating.

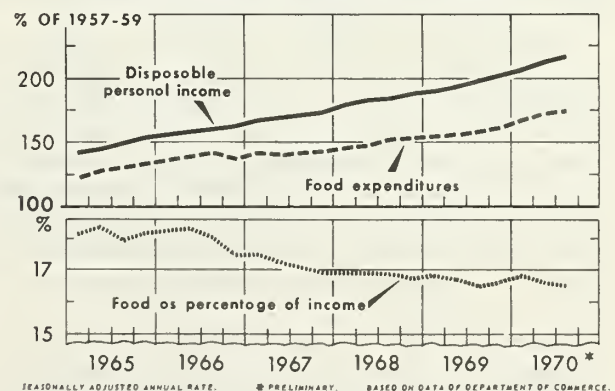
Per capita food consumption in 1970 appears to be slightly exceeding last year's level. This year's increase, much of which is in livestock and products, has occurred since the first quarter. Per capita consumption of crop foods also appears to be running slightly larger.

Prospects for the closing months of 1970 and the first half of 1971 suggest a larger than usual pickup in per capita consumption of livestock and product foods. The biggest increase is expected to come in pork, with smaller gains indicated in beef, turkey, and eggs. Declines are likely in broilers, and in lamb, veal, and milk. In the crop foods, biggest per capita increases appear in store for processed citrus, while consumption of vegetable oils is expected to continue slightly larger. Consumption of other major crop foods will probably continue about steady.

Sharply higher retail food prices in the opening months of 1970, contributed significantly to overall increases in consumer prices. But prices for food at retail have been about level since midyear because of expanding food supplies and declining prices for farm foods in the second and third quarters. Prices for food eaten at home have actually declined slightly since July, while the cost of meals eaten out has continued to creep upward due to the higher cost of services. As a result, retail food prices in recent months, in contrast to earlier this year, have played a major role in limiting the overall increase in consumer prices.

Food prices in grocery stores for all of 1970 are now expected to average 5% above those in 1969. Most of this advance reflects the increase in the margin between retail and farm food product prices. Although the spread between farm and retail prices has recently backed off slightly, the third quarter averaged 7% above that of a year earlier. This compares with an average annual increase of less than 3% during the 1965-69 period. If these margins continue wide, it will be difficult to see

FOOD EXPENDITURES AND INCOME



SEASONALLY ADJUSTED ANNUAL RATE.

* PRELIMINARY.

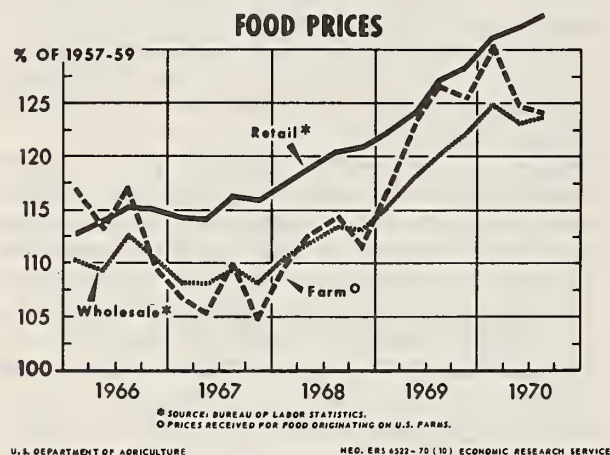
BASED ON DATA OF DEPARTMENT OF COMMERCE.

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 5281-70(11) ECONOMIC RESEARCH SERVICE

more than a seasonal decline in food prices at retail in the next few months.

Because of lower prices for farm foods, retail food prices in the fourth quarter are expected to average only about 2½% above the same period last year. However, with food supplies becoming more abundant, and consumers' after-tax incomes making somewhat more moderate gains, there will probably be some slowing in the rise in farm-retail spreads this winter and next spring. And food prices at retail in the first half of 1971 may average only slightly higher than those of a year earlier.



Consumer outlays for other nondurable goods that are large users of agricultural products rose only slightly in the third quarter. Purchases of alcoholic beverages showed their smallest gain so far this year. But tobacco expenditures continued to climb with most of the increase due to higher prices and rising taxes. Total domestic use of tobacco may run about the same to slightly lower this year. Cigarette consumption may match last year's level, but tobacco use per cigarette will probably continue to drift lower. Cigar consumption however, may recover further in coming months, but chewers and pipe smokers seem content with about the same amount of tobacco as last season.

Although there appears to be some turmoil in women's fashions, outlays for clothing and shoes made another moderate gain in the third quarter. Mill use of cotton is not expected to increase this year because of intense competition from manmade fibers, a high level of textile imports and reduced military purchases. Mill use of raw apparel wool has also been down sharply this year despite lower prices. Prospects for some recovery in wool use are based on reduced raw wool prices.

Exports and Imports of Agricultural Products

Demand for U.S. agricultural exports continued to improve in July-September 1970. Farm products sold abroad during this period were valued at \$1.6 billion, a

17% increase over July-September 1969. The major portion of the gain was attributable to soybean exports, which nearly doubled in value, and wheat exports which climbed nearly 30%. Exports also increased for soybean meal, vegetables, dairy products, lard, tallow, and soybean oil. Partially offsetting declines in value were recorded for cotton, tobacco, hides and skins, and rice.

U.S. agricultural exports, value of major commodities

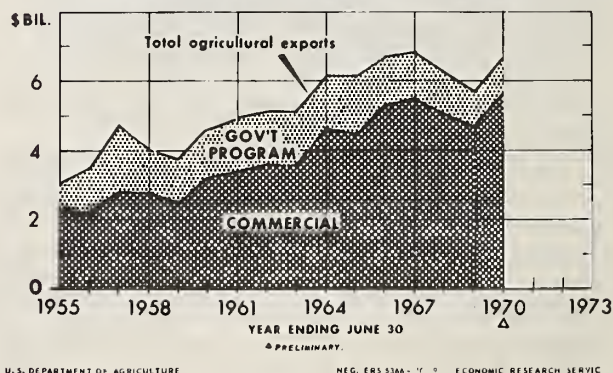
Commodity	July-September		Per- cent- age change ²
	1969	1970 ¹	
	Million dollars	Million dollars	Percent
Animals and animal products .	176	199	13
Cotton	70	46	-34
Feed grains, excluding products	278	295	6
Fruits	101	99	-2
Soybeans	118	235	99
Tobacco, unmanufactured . .	134	107	-20
Vegetables	38	42	11
Wheat and flour	207	264	28
Rice	78	63	-19
Other	210	298	42
Total exports	1,410	1,648	17

¹ Preliminary.

² Change computed from unrounded data.

U.S. farm exports so far in 1970/71 have risen sharply. Further increases will be tied heavily to foreign supply-demand conditions and the ability of the U.S. to maintain its favorable competitive position, particularly in the soybean and grain markets. Currently the outlook points to a larger volume of exports for wheat, cotton, and possibly soybeans, while feed grains, tobacco, and rice may tail off some during 1970/71.

U.S. AGRICULTURAL EXPORTS: COMMERCIAL AND UNDER GOVERNMENT PROGRAMS



The value of U.S. agricultural imports totaled \$1.4 billion in July-September 1970, a tenth over July-September 1969. Noncompetitive imports, boosted by higher coffee prices, were responsible for about half of the increase. Competitive farm imports also registered

a gain above a year ago in the July-September quarter with advances for cattle, dairy products, meats, vegetable oil, sugar, edible nuts, and wine.

The \$281 million U.S. agricultural trade balance (exports minus imports) during July-September rose nearly two-thirds above the same quarter of 1969/70. Imports increased at about the same rate as in the previous 12 months, but the rate of export growth surged above the fiscal 1970 average when exports were the third largest on record. Lower prices for some domestic farm products this season will likely dampen the demand for competitive imports. Thus, despite further increases likely in noncompetitive imports, prospects are good for a continuing improvement in the U.S. agricultural trade balance.

U.S. agricultural trade balance, July-September,
1969 and 1970

Item	1969	1970	Percent- age change
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Percent</i>
Exports	1,410	1,648	17
Imports	1,240	1,367	10
Trade balance	170	281	65

Livestock Supplies and Prices

Overall production increases for livestock and products have been picking up steam throughout 1970. And total output will top the 1969 level by some 2-2½%. This year's expansion, the largest since 1967, is broad based with the biggest relative gains coming in poultry. Moreover slight production increases for the year for beef, pork, eggs, and milk more than make up for the usual downtrends in lamb and veal.

Because of the advance in production, producer prices for livestock and products began declining in the spring of 1970 from the high prices in the first quarter. Prices continued to drift lower in the third quarter and into October because of the turnaround in pork production which has caused hog prices to tail off sharply. Substantial supply increases for poultry and slight gains for beef also contributed to the price easing in the third quarter. Seasonally higher prices for milk and eggs, however, moderated the overall decline. Even so, prices for livestock and products in the third quarter averaged 2½% below the same period in 1969; in October they were down 5% from a year earlier. This compares with 14% higher prices in the first quarter, and slightly more than 2% higher prices in the second quarter compared to a year earlier.

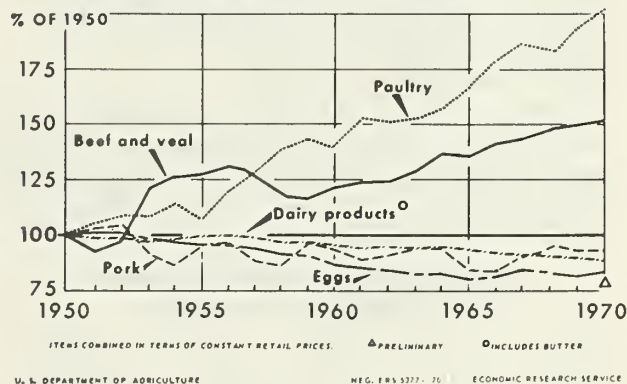
Sizable increases in supplies of livestock and products are likely for the remaining months of 1970 and early next year. Hog slaughter this fall is running 12 to 14%

above a year earlier, and indications for the first half of 1971 point to a continuation in pork production well above a year earlier. In addition, fed cattle marketings are expected to continue moderately above a year earlier this fall, and continue large in early 1971. Production of lamb and veal, however, will trail year-earlier levels. On balance, supplies of red meats will likely be large enough to push producer prices lower for meat animals in the fourth quarter, even though consumer demand continues to increase moderately. Most of the overall price drop will probably come from lower hog prices.

Production gains for poultry meat, which were nearly a fifth larger some months of this year, have been moderating recently. This cutback, mainly in broilers, reflects the sharp deterioration in returns in recent months. Broiler output will slip below a year earlier this fall, and likely will continue to lag during the first half of 1971. Turkey production, however, is expected to moderately exceed last year's level during the balance of 1970. Prices for both broilers and turkeys will probably trail year-earlier levels for the next 3 to 6 months due to large supplies and heavy competition from pork.

Production of eggs is running slightly larger in 1970 after 2 years of decline. Moreover, further increases in output, due to an expanded laying flock and a pickup in laying rates, are expected this fall and in the first half of 1971. Prices this fall and winter will average below the high levels of late 1969 and early 1970.

PER CAPITA CONSUMPTION OF SELECTED LIVESTOCK PRODUCTS



Milk output is turning up for the first time since 1964. Production for 1970 is currently estimated slightly above 1969's level of 116.2 billion pounds. For 1971, another small increase now seems likely. The supply of herd replacements appears ample, and the labor situation has eased. However, higher feed costs will tend to temper increases during the next 6 to 9 months. Milk prices to producers for all of 1970 are expected to average about 3% above last year. But in first half 1971, little price increase seems likely, assuming no change in dairy supports and Federal order pricing.

Table 2.—Production and prices received by farmers for major livestock and livestock products, 1967, 1968, 1969, and third quarters of 1969 and 1970

Item	Unit	Annual			Third quarter	
		1967	1968	1969	1969	1970 ¹
Production ²						
Cattle and calves	Mil. lb.	21,011	21,614	21,831	³ 5,516	³ 5,562
Hogs	Mil. lb.	12,581	13,063	12,953	³ 2,986	³ 3,157
Sheep and lambs	Mil. lb.	646	602	550	³ 130	³ 132
Chickens	Mil. lb.	7,527	7,580	8,059	³ 2,132	³ 2,318
Turkeys	Mil. lb.	1,883	1,620	1,618	³ 628	³ 700
Eggs	Mil. lb.	9,163	9,064	9,018	2,225	2,252
Milk	Bil. lb.	118.8	117.2	116.2	⁴ 29.0	⁴ 29.1
Prices received by farmers						
Cattle	Dol./cwt.	22.30	23.40	26.20	27.00	27.20
Hogs	Dol./cwt.	18.90	⁵ 18.50	⁵ 22.20	25.20	21.80
Lambs	Dol./cwt.	22.10	24.40	27.20	27.40	26.70
Broilers	Ct./lb.	13.3	14.2	15.2	16.6	13.4
Turkeys	Ct./lb.	19.6	20.5	22.4	21.3	22.3
Eggs	Ct./doz.	31.2	34.0	40.0	38.2	36.2
All milk (wholesale)	Dol./cwt.	5.02	5.24	5.49	5.44	5.60

¹ Preliminary.

² Data for 50 States except where noted. Carcass weight production for red meats; ready-to-cook for poultry, and shell-weight for eggs.

³ Data for 48 States. Commercial slaughter only.

⁴ Based on monthly data.

⁵ Marketing year average—December-November.

U.S. wool production is expected to decline slightly again next year, based on this year's apparent reduction in sheep numbers. Shorn wool output in 1970 is an estimated 162 million pounds, grease basis, 2% less than in 1969. Farm prices of shorn wool, after declining most of this year, may firm slightly as the 1971 season progresses. This outlook reflects a further decline in U.S. production, and increased domestic and foreign consumption. However, continued relatively large world supplies will tend to limit any material price firming.

Supply-Price Prospects for Crops

Supplies of major crops are in considerably closer balance with prospective use this season than in recent years, and prices have strengthened materially. Based on current indications, carryover levels for wheat, feed

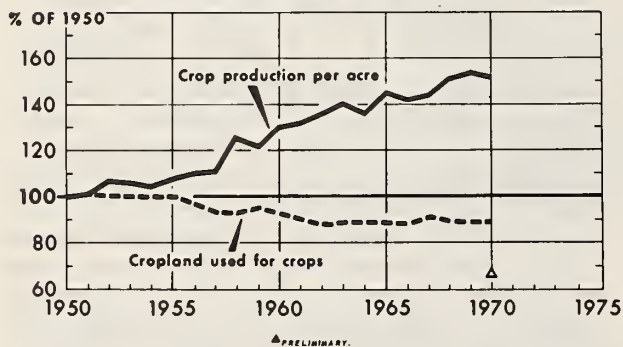
grains, cotton, and soybeans are expected to drop during 1970/71. This would be the first time in a number of years that there has been an across the board decline in stocks of these four major crops. Stocks of tobacco may also drop.

Total production of 1970 crops now appears to be 2-3% less than last season's record output. Declines for feed and food grains, hay, and sugar crops are more than offsetting larger crops of cotton, tobacco, soybeans, citrus fruits, potatoes, and fresh vegetables. Because planted acreage totaled slightly larger this season, all of the reduction is in response to lower yields caused by hot dry weather and Southern leaf blight damage to corn.

U.S. crop production: Index numbers of production of crops, 1969 and 1970

(1957-59=100)

CROP PRODUCTION PER ACRE AND CROPLAND USED FOR CROPS



Item	1969 ¹	1970 ²	Per- cent- age change
All crops ³	121	118	-2
Feed grains	123	112	-9
Hay and forage	117	116	-1
Food grains	130	122	-6
Vegetables	111	114	3
Sugar crops	175	170	-3
Cotton	82	85	4
Tobacco	104	108	4
Oil crops	196	201	3

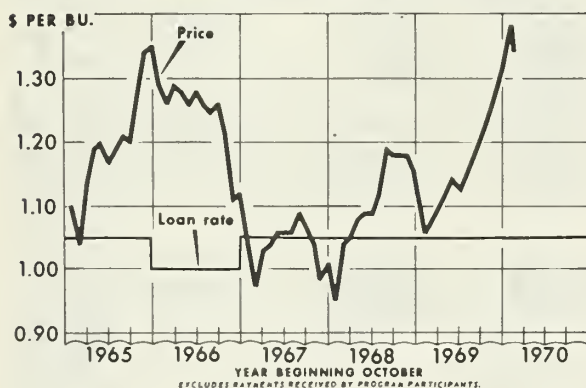
¹ Preliminary.

² Indicated as of October.

³ Includes other products not included in the separate groups shown.

Early summer crop prospects pointed to a record 1970 feed grain crop. But beginning in July, the Southern corn leaf blight and hot dry weather struck the new crop. As a result, feed grain output was estimated on November 1 at 159 million tons, down 5 million tons from last season. However, combined domestic use and exports may fall only slightly short of last season's usage. Thus, total use in 1970/71 is expected to substantially exceed the crop, resulting in a sharp drop in the carryover at the end of 1970/71—from this season's 48 million tons. Because of the smaller 1970 crop, prices for corn rose sharply in mid-August through September, although they have since backed off slightly. In mid-October, average farm prices for corn were a fifth above those of last year. Prices for feed grains may average around 10-15% higher than last year for the 1970/71 season.

CORN PRICES RECEIVED BY FARMERS



The 1970/71 supply of wheat at 2.2 billion bushels is down slightly from a year earlier. The smaller 1970 crop more than offset the larger July 1 stocks and resulted in the first decline in supplies since 1966/67. Total disappearance of wheat this year is expected to expand to about 1.5 billion bushels, compared with last year's 1.4 billion bushels. Domestic use will be buoyed by continued heavy feeding of wheat and food use may increase slightly. Exports, currently running ahead of last year's pace, may total between 725 and 750 million bushels. With total use likely to be up, a sharp drop in carryover next summer is in sight. Wheat prices are expected to remain strong during much of 1970/71 as a result of the improved export outlook and expected heavy wheat feeding.

The rice supply for 1970/71 is below the record levels of the last 2 years. A smaller 1970 allotment resulted in a reduced crop, and carryover continued at the previous year's high. Food use is expected to resume its uptrend in 1970/71 while the outlook for exports will depend

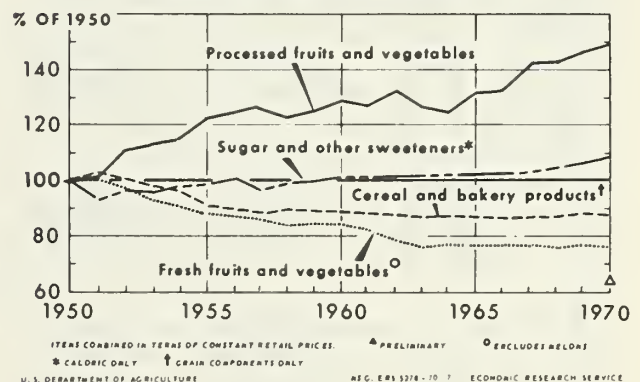
upon exportable supplies in Southeast Asia and import requirements of major food aid recipients.

Soybean output is estimated slightly larger this season, but the reduced carryover is holding down total supplies. Even though prices are currently well above last year, early season utilization rates point to prospects for a modest increase in domestic crush and exports of soybeans in 1970/71. Thus, carryover will likely drop again next September. Prices this fall are averaging well above support and for the season are expected to average substantially above last year's \$2.35.

Cotton production prospects have deteriorated in recent months. However, the 1970 crop still will run about 5% larger and nearly offset moderately lower beginning stocks and result in little change in total supplies in 1970/71. Domestic demand is expected to remain sluggish but improved export prospects may boost total disappearance about 5% above last season's 31-year low. Accordingly, the cotton carryover next summer may decline at least a half million bales below the 5¼ million of last August.

Despite a 4% larger tobacco crop in 1970, a smaller carryover is reducing total supplies slightly again in 1970/71. Although exports may drift slightly lower this season, total domestic consumption appears to be holding up despite sharply higher cigarette prices and anti-smoking publicity. Thus, carryover at the end of the current season may be reduced further. Prices to growers are averaging about unchanged this season.

PER CAPITA CONSUMPTION OF SELECTED CROP PRODUCTS



Among the food crops, supplies of early-fall fresh vegetables are running slightly larger this season and prices are averaging slightly to moderately below those of last fall. Processing vegetable output is off from last year's pack, but supplies are ample; prices are expected to continue above last season's low levels. Potato supplies are up moderately with the big fall crop 6% above last year's record. Prices in the West, where production is heavy, are under pressure, while in the

Table 3.--Supply-distribution and season average prices of selected major crops, 1967/68, 1968/69, 1969/70, and 1970/71

Item	Unit	Beginning stocks	Imports	Production	Total supply	Domestic use	Exports	Total use	Ending stocks	Season average price 1/ price 1/
Feed grains										
1967/68	Mil. tons	37.1	0.3	176.0	213.4	141.8	23.3	165.1	48.3	2/1.03
1968/69	Mil. tons	48.3	.3	168.9	217.5	149.1	18.4	167.5	50.0	2/1.08
1969/70 p.	Mil. tons	50.0	.4	174.2	224.6	155.2	21.2	176.4	48.2	2/1.12
1970/71 e.	Mil. tons	48.2	.4	158.8	207.4					
Wheat										
1967/68	Mil. bu.	425.0	.9	1,522.4	1,948.3	647.8	761.1	1,408.9	539.4	1.39
1968/69	Mil. bu.	539.4	1.1	1,576.2	2,116.7	753.9	544.2	1,298.1	818.6	1.24
1969/70 p.	Mil. bu.	818.6	3.2	1,458.9	2,280.7	791.7	606.1	1,397.8	882.9	1.24
1970/71 e.	Mil. bu.	883	1.0	1,360	2,244	820	725-750	1,545-1,570	674-699	
Rice										
1967/68	Mil. cwt.	8.5	3/	89.4	97.9	4/34.2	56.9	91.1	6.8	4.97
1968/69	Mil. cwt.	6.8	3/	104.1	110.9	4/38.5	56.2	94.7	16.2	5.00
1969/70 p.	Mil. cwt.	16.2	.2	91.3	107.5	4/36.4	54.9	91.3	16.4	4.85
1970/71 e.	Mil. cwt.	16.4	.2	84.4	101.0					
Soybeans										
1967/68	Mil. bu.	90.1	0	976.1	1,066.2	633.3	266.6	899.9	166.3	2.49
1968/69	Mil. bu.	166.3	0	1,103.1	1,269.4	658.2	286.8	945.0	324.4	2.43
1969/70 p.	Mil. bu.	324.4	0	1,116.9	1,441.3	783.2	428.7	1,211.9	229.4	2.35
1970/71 e.	Mil. bu.	229.4	0	1,134.2	1,363.5					
Cotton 5/										
1967/68	Mil. bales	12.5	6/1	7.2	19.9	9.0	4.2	13.2	6.4	25.59
1968/69	Mil. bales	6.4	6/1	11.0	17.5	8.2	2.7	11.0	6.5	22.15
1969/70 p.	Mil. bales	6.5	6/1	9.9	16.5	8.0	2.8	10.8	5.8	20.8
1970/71 e.	Mil. bales	5.8	6/1	10.4	16.3	8.0	3.2	11.2	5.0	

1/ Dollars per bushel, except cotton which is cents per pound. 2/ Price for corn. 3/ Less than 50,000 cwt. 4/ Includes the following statistical discrepancies: 1967/68, 0.6, 1968/69, 2.8, and 1969/70, 1.3 mil. cwt. 5/ Production based on ginnings between August 1 and July 31. 6/ Includes city crop. p. Preliminary. e. Estimated. 1970/71 based on recent crop reports and disappearance estimates. Details may not add to totals due to rounding.

East prices may average about the same to slightly above last year.

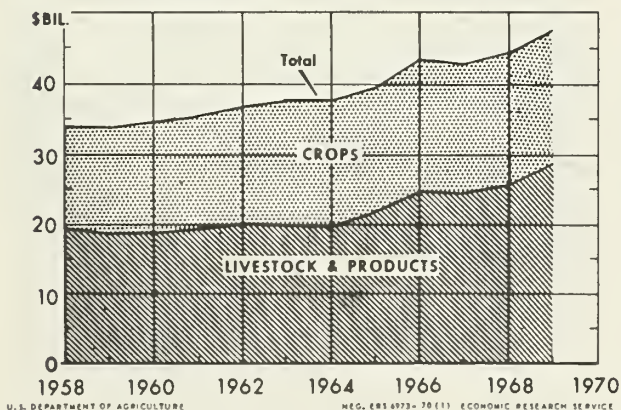
A prospective 15% increase in orange production is underway in 1970/71. This would be by far the biggest crop ever produced. Moreover, the new grapefruit crop is expected to be up nearly a fourth. The substantially bigger citrus crop, combined with a larger carryover of frozen concentrate, is already materially reducing prices of concentrated orange juice. Prices of oranges are also expected to decline. Production of deciduous fruit is down 13% this year with most items contributing to the decline. Although the carryover of canned deciduous fruit is large, the smaller crop and reduced pack are bringing higher prices for canned items.

Farm Income Picture

Declining prices for livestock and products and rapidly rising production expenses are shaving farmers' net incomes in late 1970. Even so, the strong upsurge in income early this year will keep total realized net farm income for 1970 close to last year's \$16.2 billion. Realized gross farm income in 1970 will probably run close to \$2 billion higher than last year's \$54.6 billion, based on increased market receipts from both livestock and crop sales. However, the upsurge in production costs will more than likely offset any increase in realized gross income.

Farm income is likely to continue under pressure in early 1971. Big supply increases for pork and more moderate increases for beef and eggs are expected to hold producer prices in the first half of 1971 moderately below those of a year earlier. Thus, even with increased marketings, cash receipts to livestock producers in the first half of next year may fall a little short of the relatively high levels of a year ago.

CASH RECEIPTS FROM MARKETINGS



In contrast to the livestock sector, incomes to crop growers compared to a year earlier have been picking up since midsummer. Because of the tighter supply

situation for grains and soybeans, average prices for crops are running above a year earlier. With marketings expected to be down only slightly, cash receipts from crop marketings in the first half of 1971 are expected to exceed those in January-June 1970. The increase may nearly offset the indicated decline in receipts from livestock marketings. But production expenses will continue to rise, causing a moderate reduction in total realized net farm income compared with the first half of 1970. This expected easing reflects largely the squeeze resulting from smaller livestock receipts in the face of sharply rising feed costs.

Gross Farm Product

Gross product originating in agriculture (the total value of farm output minus the value of intermediate products consumed or the value added in farming) is running nearly 4% higher so far in 1970. Boosted by sharply higher receipts from livestock marketings, the farm gross product rose to \$28.8 billion (seasonally adjusted annual rate) in the first quarter. However, since then, farming's contribution to total GNP has drifted slightly lower as gains in cash receipts have narrowed while costs of intermediate products have continued upward. Nevertheless, the \$28 billion third quarter annual rate was still slightly above the \$27½ billion total for all of 1969.

Farm Outlays for Production and Capital Items

Farmers are increasing their outlays for business operations by more than 5% in 1970, bringing total production expenses to over \$40 billion. This includes a greater than 7% increase in current farm operating costs which will likely top \$28 billion, and a further rise in overhead costs, other than depreciation, to a level of around \$6 billion. Gross investment in farm buildings and equipment is expected to about match the \$6.2 billion of 1969, somewhat short of 1970's estimated capital depreciation. This suggests that net farm investment will probably drop for the third consecutive year.

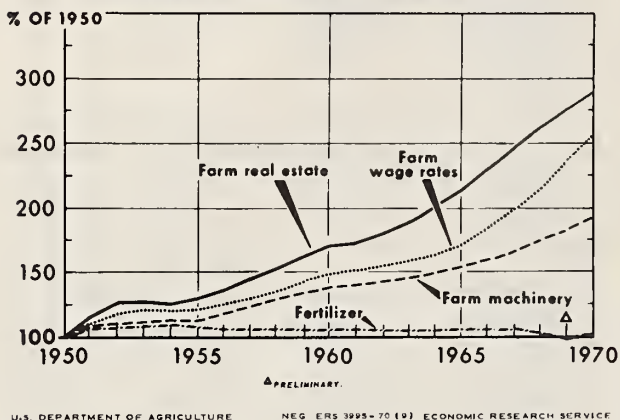
Prices paid by farmers for production items, interest, taxes, and wage rates rose again in October 1970 and averaged more than 5% above October 1969. This increase was a little stronger than advances recorded so far in 1970. Biggest increases were in wage rates and feed, with the rise in fertilizer prices and taxes trailing close behind.

The composite farm wage rate, a weighted average of all rates on a per hour basis, rose to \$1.46, on October 1. This was 7% above the same month last year. Wage rates increased in all regions, ranging from a 4% gain in the New England States to more than 8% in the South Atlantic States. Some easing is expected in the farm

labor situation, but farm wage rates are expected to continue to increase.

Among the production inputs, the purchased feed account is by far the largest current farm expense. This year farmers will probably spend over \$7 billion on feed purchases. But this substantially understates the actual value of feeding because currently a little more than 40% of the total feed grain crop is fed on farms where produced and does not enter usual sales channels.

PRICES OF SELECTED FARM INPUTS



Domestic use of feed inputs, as measured by feed concentrates, expanded moderately during 1969/70. But livestock-feed price relationships have declined sharply since midsummer due to the reduced 1970 feed grain crop and expanded volume of livestock and products, thus feeding rates will likely be down during the 1970/71 season. However, the indicated increase in the number of animals may pretty well maintain consumption of feed grains and high-protein feeds in the current season. Moreover, lower prices for wheat in relation to corn will probably stimulate heavy wheat feeding in 1970/71.

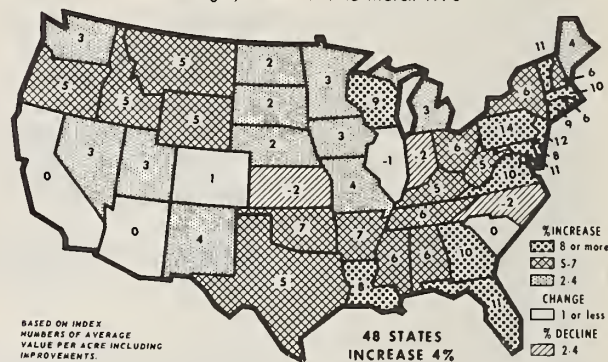
Higher fertilizer prices and tight credit in 1970 kept usage close to a year ago. Application of fertilizer on a plant nutrient basis—nitrogen (N), phosphate (P_2O_5) and potash (K_2O)—was up only 3% from the 1969 level for the year ended June 30, 1970. Muriate of potash registered the most significant price increase, nearly 20% above 1969. Prices also increased for most other fertilizer materials.

Tight credit and uncertainty concerning farm programs had an adverse effect on farm real estate values in 1970. While the value of farmland has continued to advance over 1969, its rate of increase has been held to a 7-year low. The average value of a farm acre rose to \$193 during the spring 1970, but value per acre actually declined in Illinois, Indiana, Kansas, and North Carolina. For the rest of 1970 the demand for farmland is expected to remain slack, keeping farm real estate values near current levels.

Retail tractor sales, depressed much of the first half of 1970, rose moderately over a year ago for the third consecutive month in September, according to the Farm

CHANGE IN DOLLAR VALUE OF FARMLAND

Percentages, March 1969 to March 1970



and Industrial Equipment Institute. The September increase reflected a pickup in the demand for smaller units, which had been lagging, and a continuing preference for larger, more powerful tractors.

Farm machinery retail sales as reported by the Farm and Industrial Equipment Institute, through September 1970, remained below a year ago in most major categories except for corn harvesting equipment. Recent sharp advances in sales of corn pickers and particularly corn heads for combines have lifted year to date sales of corn harvesting equipment well above the 1969 pace. The early season increase in demand for corn harvesting equipment could be linked to the corn blight which places a premium on early removal of diseased corn to avoid further damage.

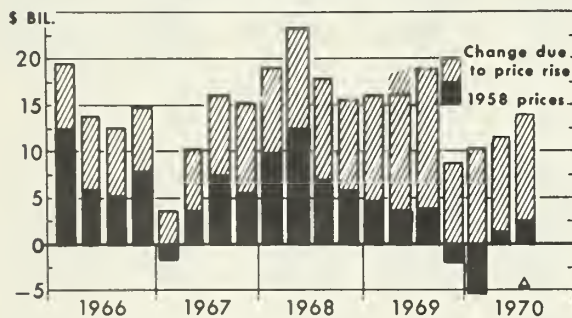
GENERAL ECONOMIC SITUATION

The economy appears to be making little improvement after experiencing a sizable decline early this year. Output, hurt by reduced defense expenditures and the auto strike, is not yet at its year-earlier level. Accordingly, unemployment has risen to a 6-year high and personal income gains have moderated. Prices have fluctuated at wholesale levels but increases have eased somewhat at retail with cost pressures remaining strong.

The rise in gross national product in the third quarter was paced by acceleration in State and local Government expenditures, consumer expenditures for services, and business fixed investment. And outlays for housing rose for the first time in over a year. But the increase in total consumer expenditures was considerably less than the second quarter rise with smaller increases for food and durable good expenditures declining. Net exports maintained its upward rate and inventories increased slightly.

GROSS NATIONAL PRODUCT

Change From Previous Quarter



▲ THIRD QUARTER 1970 PRELIMINARY.

SEASONALLY ADJUSTED ANNUAL RATE, BASED ON DATA OF DEPARTMENT OF COMMERCE.

U.S. DEPARTMENT OF AGRICULTURE

REG. 885-8998-70 (10) ECONOMIC RESEARCH SERVICE

Outlook for 1970/71

The fourth quarter is taking the brunt of the auto strike. Its effect upon the gross national product has been severe as secondary economic consequences accumulated. After the final settlement is completed, the economy will probably rebound.

Business activity may improve in the wake of the recent decline in interest rates, and a more liberal monetary and fiscal policy. Assuming an end in the auto strike and a rise in productivity in the fourth quarter, gross national product may average between \$975-\$980 billion for the year. With prices rising about 5%, this increase in GNP in current dollars, however, would imply no real growth for 1970.

The new year may see the economy making some gains in real output over 1970's average. Housing will likely assume a major role in the expected 1971 recovery as improved financial conditions allow more pent-up

Major GNP components, change from previous quarter

Item	1970		
	I	II	III ¹
<i>Billion dollars</i>			
Total change in GNP	7.8	11.6	14.1
Consumption	10.5	11.3	8.0
Private nonresidential fixed investment	0	.2	.9
Housing	-1.3	-.7	.7
Inventory	-5.6	1.5	.9
Net exports9	.6	.6
Government	3.3	-1.2	2.9

¹ Preliminary.

² See footnote 1, text table, below.

demands to be satisfied. State and local Government expenditures, exports, and inventory investment are also expected to share in the advance. Rising wage rates, some further reduction in personal income taxes, and additional transfer payments will lead to further but slower gains in disposable personal incomes in 1971. This suggests further increases in spending for food and other consumer goods. For 1971, disposable personal incomes should rise moderately but less than the expected gain of 8½% from 1969 to 1970.

With the economy operating below its "normal" high-employment growth in output, the unemployment rate will continue fairly high in the next year. However, if business activity picks up in the second half of 1971 as expected, more of the new entrants into the labor force will be hired and many experienced workers will return to work.

GNP and final sales, change from previous quarter

Year and quarter		GNP	Final sales	Inventory change ¹
<i>Billion dollars</i>				
1967:	I	3.7	14.0	-10.3
	II	10.1	15.2	-5.1
	III	16.4	12.2	4.2
	IV	15.0	13.7	1.3
1968:	I	19.0	26.4	-7.4
	II	23.2	15.5	7.8
	III	17.7	19.8	-2.2
	IV	15.6	14.5	1.1
1969:	I	16.2	18.1	-1.9
	II	16.1	15.7	.5
	III	18.9	15.3	3.4
	IV	9.1	13.3	-4.1
1970:	I	7.8	13.4	-5.6
	II	11.6	10.2	1.5
	III ²	14.1	13.1	.9

¹ Represents the difference in the rate of change in business inventories. For example, the change in business inventories in the third quarter of 1970 (\$4.0 billion) less the change in the second quarter of 1970 (\$3.1 billion) equals plus \$0.9 billion.

² Preliminary.

Table 4.--General economic activity

(Seasonally adjusted annual rates)

Item	1969	1970				Year	Year
	IV	I	II	III	1/	1968	1969
- - - Billion dollars - - -							
Gross national product	951.7	959.5	971.1	985.2	865.0	931.4	
Gross national product (1958 dollars)	729.2	723.8	724.9	727.5	707.2	727.1	
Disposable personal income	650.6	665.3	683.6	693.0	591.2	631.6	
Personal consumption expenditures	592.6	603.1	614.4	622.4	535.8	577.5	
Durable	90.8	89.1	91.9	91.4	84.0	90.0	
Nondurable	252.0	258.8	262.6	265.5	230.2	245.8	
Services	249.8	255.2	259.9	265.4	221.6	241.6	
Personal savings	41.1	44.8	51.5	52.5	40.4	37.6	
Net government receipts	223.3	218.4	207.4	---	192.8	220.8	
Government purchases	216.3	219.6	218.4	221.3	200.2	212.2	
Federal	102.1	102.3	99.7	99.0	99.5	101.3	
State and local	114.2	117.4	118.7	122.4	100.7	110.8	
Deficit or surplus (on income and product accounts)	7.1	-1.2	-10.9	---	-7.3	8.7	
Gross private domestic in- vestment	140.2	133.2	134.3	136.8	126.5	139.8	
Fixed investment	133.0	131.6	131.2	132.8	118.9	131.4	
Residential	30.4	29.1	28.4	29.1	30.3	32.0	
Nonresidential	102.6	102.6	102.8	103.7	88.7	99.3	
Change in business inven- tories	7.2	1.6	3.1	4.0	7.6	8.5	
Gross retained earnings	96.0	95.7	97.9	---	95.6	97.3	
Excess of investment	-44.2	-37.5	-36.4	---	-31.0	-42.5	
Net exports of goods and services	2.6	3.5	4.1	4.7	2.5	1.9	
Per capita disposable per- sonal income (1958 dollars)	2,537	2,556	2,594	2,599	2,480	2,517	
Total civilian employment (millions) 2/	78.6	79.0	78.5	78.5	75.9	77.9	

1/ Preliminary.

2/ U.S. Department of Labor.

U.S. Department of Commerce.

Government Expenditures and Receipts

Although Federal expenditures continued a downward trend, State and local Government outlays, chiefly for construction, accelerated in the third quarter. The substantial advance, following a very modest rise during the spring, more than offset the Federal decline. And despite the current economic slowdown, generally lower interest rates, and increased Federal grants-in-aid are expected to enable local jurisdictions to continue to expand their programs as social needs grow.

Nondefense spending by the Federal Government also rose during the summer months for the first time this year. But this rise, chiefly for agricultural outlays, was very slight and was more than matched by a reduction in military expenses. However, defense spending, at a level more than \$4½ billion below a year earlier, may not decline much further.

After a sizable surplus in calendar 1969, the Federal deficit has grown rapidly this year. Expiration of the income surtax and the economic slowdown has cut deeply into personal and corporate tax receipts. This is expected to put more funds into the private sectors. Some strain upon monetary markets is also probable as the Treasury competes for credit to finance Federal debt in coming months.

Federal receipts and expenditures, national income basis¹

Item	1969	1970	
	Second half	First half	Third quarter ²
<i>Billion dollars</i>			
Receipts	201.4	196.3	³ 193.6
Personal tax	96.2	93.4	89.4
Corporate profits tax	38.4	34.8	³ 34.5
Indirect business tax	19.4	19.4	20.0
Social Insurance	47.4	48.6	49.7
Expenditures	194.2	204.3	207.7
Goods and services	102.3	101.0	99.0
Transfer payments	52.8	59.8	62.9
Grants to State and local governments	20.9	24.0	25.1
Net interest paid	13.6	14.3	14.8
Subsidies less surplus	4.8	5.3	5.7
Surplus or deficit	7.2	-8.0	-14.1

¹ Calendar years, seasonally adjusted annual rates.

² Preliminary.

³ Estimated.

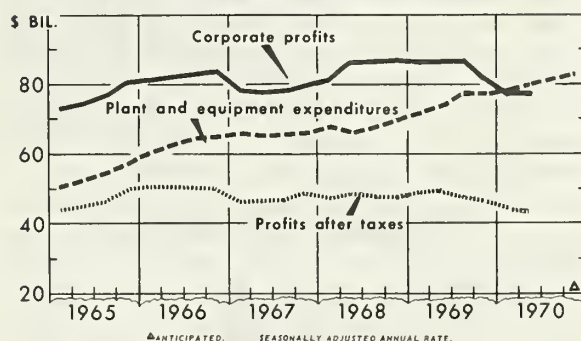
Investment Demand

Gross private domestic investment expenditures, though still far below a year earlier, increased slightly in the third quarter with all components of investment demand participating. Business fixed investment outlays rose after two declining quarters mainly due to increases in expenditures for machinery and equipment. Most of

the overall increases, however, reflected higher prices for capital goods. Inventories were added more rapidly in retail trade but total accumulation remains at a fairly low pace. A slight housing rise was in response to the substantial increase in new housing permits in the past six months over a year earlier.

The near-term total investment picture appears mixed. Although the outlook for new housing seems bright, corporate profits, are down, plants are operating well below capacity, and labor and material costs are rising. These conditions are not conducive to an expansion in fixed investment. Relaxed fiscal and monetary policy now underway may induce some firms to expand investment outlays in 1971. Inventory investment is expected to rise, particularly during the first half of 1971.

CORPORATE PROFITS AND PLANT AND EQUIPMENT EXPENDITURES



U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 7000-70 (11) ECONOMIC RESEARCH SERVICE

Consumer Demand

Americans have remained fairly cautious in their shopping habits, increasing very slightly the extremely high savings rate of 7½% established in the second quarter. Faced with rising unemployment and advancing prices, consumers boosted their spending in the third quarter but only about in proportion to the increase in their spendable income. Still, the level of personal consumption expenditures, including those for food and beverages, is currently well above a year earlier. And with a potential reserve of buying power, the general public will probably continue to be an important source of strength as the economy recovers.

Nondurable goods purchases slowed for the second consecutive quarter. Purchases of food and beverages in the third quarter rose less than \$1 billion to \$114.6 billion annual rate after a \$1½ billion rise in the second quarter and \$4 billion surge in the first. Spending on services accelerated, after a more moderate second quarter advance. Both automobiles and parts and furniture and household expenditures were down from the previous quarter.

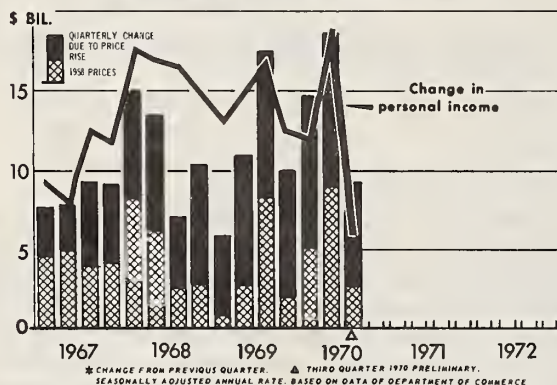
Income and Employment

Nonagricultural employment seasonally adjusted increased slightly in October. Decreases in contract construction and Federal employment were offset by increases occurring mainly in trade, services, and State and local Government employment. But the labor force rose significantly on a seasonally adjusted basis, raising the unemployment rate to its highest level since January 1964. The 5.6% October rate, represented the fourth consecutive monthly rise.

Agricultural employment declined on a seasonally adjusted basis for the fifth consecutive month, dropping to 3.3 million workers. Average agricultural employment for 1970 is almost certain to fall far below 1969's level, following the long-term trend toward fewer farms and fewer workers per farm. Still, the slowing economy and the nonfarm employment situation may lure some workers back to the farm.

Personal income showed only a small rise in the third quarter but because of tax cuts the rise in disposable income was much larger. Still the third quarter increase fell short of those registered in the two previous quarters. However, personal income rose moderately in September with retroactive wage increases for postal workers offsetting income lost by auto strikers.

DISPOSABLE PERSONAL INCOME*



Prices

Two of the three leading price indicators point to slower price increases in the next 3 to 9 months. Both the GNP implicit price deflator and the Consumer Price Index have slowed considerably on a quarterly basis over the past 6 months. And with most demand pressures easing, this trend would appear likely to continue well into next year.

Wholesale prices have fluctuated during the past 5 months, remaining steady in October. But industrial commodity prices, which have been rising throughout the year, soared in October. The rise reflected mostly new car prices as well as a substantial rise in fuel costs.

Major personal income components, change from previous quarter

Item	1970		
	I	II	III ¹
<i>Billion dollars</i>			
Personal income	11.8	19.0	5.8
Wages and salaries	6.6	7.6	4.3
Manufacturing	-1	-1.1	.3
Nonmanufacturing	5.4	2.6	4.6
Government	1.2	6.2	-6
Other income	2.9	2.0	2.7
Transfer payments	2.8	9.6	-7
Social insurance payments (minus)6	.3	.3
Personal tax payments	-2.9	.7	-3.6
Disposable personal income ..	14.7	18.3	9.4
Personal outlays	10.9	11.6	8.4
Personal savings	3.7	6.7	1.0

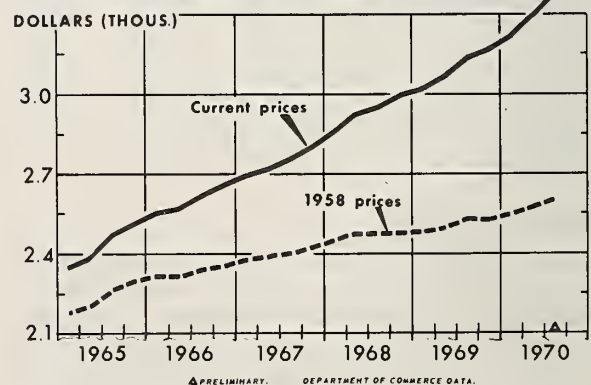
¹ Preliminary.

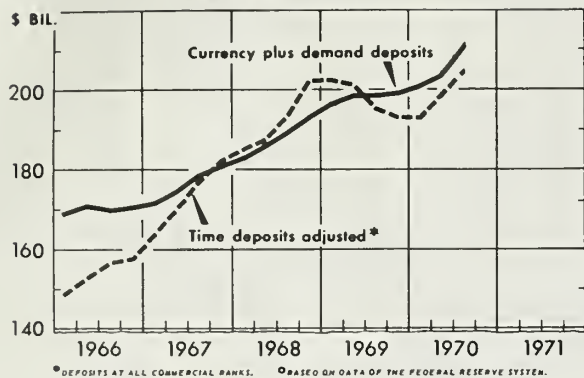
Monetary Situation

The Nation's money stock (currency plus demand deposits) continued to grow moderately in the third quarter. This advance, reflecting the more rapid expansion of Federal Reserve credit and bank reserves since February, will probably help to boost total spending during the next 6 months and to ease corporate liquidity problems. One immediate result has been to lower short-term interest rates.

In line with these developments, time deposits have surged since the relaxation of Regulation Q (interest rates permitted on certain bank deposits) in June. With additional strength and a slowing demand for funds, banks reduced their prime interest rates in September from 8 to 7½% and to 7¼% in November. Combined with a similar reduction in March, the rate is now 1½ percentage point lower than at the first of the year. The Federal Reserve discount rate was reduced from 6% to 5¼% in November.

PER CAPITA DISPOSABLE INCOME



MONEY SUPPLY^o

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 7468-70 (11) ECONOMIC RESEARCH SERVICE

Balance of Payments

While the slowing U.S. economy has helped the net export balance, it also is causing a movement of capital to more profitable investments and higher interest rates overseas. A decline in direct investment and corporate borrowing abroad partially offset this trend in the second quarter. However, the U.S. long-term capital net outflow was substantially larger in the first half of 1970 than the total for 1969.

Major international transactions of the United States¹

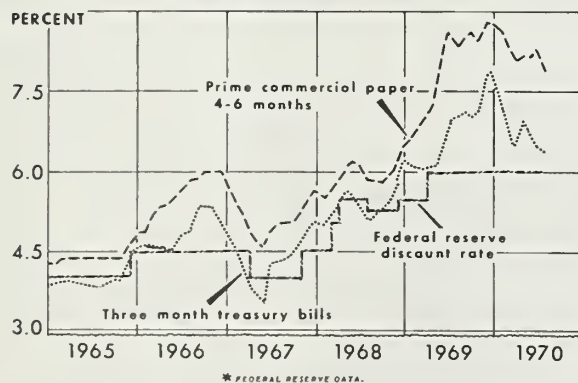
Item	1970	
	I	II ²
	<i>Billion dollars³</i>	
Balance on goods and services	3.4	4.5
Transfers, personal and government . . .	-1.3	-1.4
U.S. private and foreign capital	-3.1	-4.4
U.S. Government grants and capital . . .	-3.8	-4.2
Allocations of Special Drawing Rights . .	.9	.9
Errors and omissions	-6	-2.9
Special financial transactions	-1.0	2.8
Total (balance on liquidity basis)	-5.5	-4.8

¹ Excluding military grant aid. ² Preliminary. ³ Seasonally adjusted annual rates.

Foreign Trade

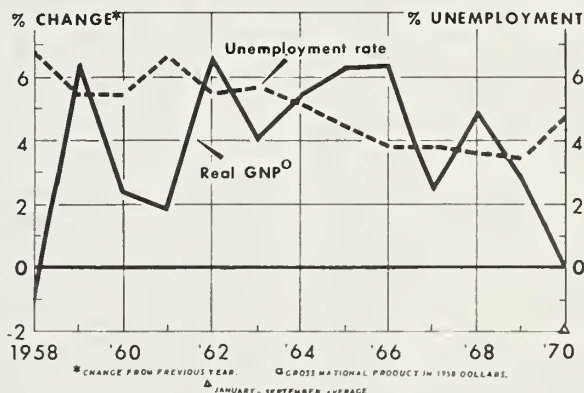
The days of trade surpluses may be back again. Although it narrowed slightly in the third quarter, the U.S. foreign trade surplus may reach over \$3 billion for this year compared to a gain of \$1.3 billion in 1969. Exports of farm products, steel, coal, iron, machinery, chemicals, and aircraft more than offset increased imports of iron ore, petroleum products, foreign cars, radios, shoes, and clothing.

The U.S. net exports of goods and services for 1970 will likely more than double last year's \$1.9 billion balance. Preliminary data indicate that the net rose further in the third quarter continuing a trend that began in early 1969. Slowing domestic prices and increased U.S. productivity should continue to provide a favorable situation in the coming year.

INTEREST RATES*

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 7861-70 (11) ECONOMIC RESEARCH SERVICE

GNP AND UNEMPLOYMENT

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 5708-70 (11) ECONOMIC RESEARCH SERVICE

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE \$300



POSTAGE & FEES PAID
United States Department of Agriculture

NOTICE: If you no longer need this publication, check here ☐
return this sheet, and your name will be dropped from the mailing list.

If your address should be changed, write the new address on this sheet and
return the whole sheet to:

Automated Mailing List Section
Office of Plant and Operations
U.S. Department of Agriculture
Washington, D.C. 20250

DPS-126

NOVEMBER 1970

7991 UNALCS A422 18001 0001
USDA NATIONAL AGRICULTURAL
LIBRARY CURRENT SERIAL RECORD
BELTSVILLE MD 20705

LIST OF TABLES

<i>Table</i>	<i>Title</i>	<i>Page</i>
1	Selected measures of economic activity	4
2	Production and prices received by farmers for major livestock and livestock products, 1967-70	10
3	Supply-distribution and season average prices of selected major crops, 1967-70	12
4	General economic activity	16

ANNUAL OUTLOOK CONFERENCE SCHEDULED FOR FEBRUARY 1971

The National Agricultural Outlook Conference is scheduled for February 23 to 26, 1971. The Conference will give emphasis to the general domestic and international economic situation with time also devoted to the Commodity Sessions.